

CHAIRMAN'S STATEMENT

I am pleased to present the Interim Report of China Resources Peoples Telephone Company Limited (the "Company" or "PEOPLES") for the half-year ended 30 June 2005 and to record a satisfactory performance by the Company over this period.

The period under review has been extremely challenging with our competitors pouring substantial resources on aggressive tariff offerings to boost up third generation ("3G") commercial acceptance. To counteract this antagonistic approach, the Company has pursued a series of complementary strategies to grow both voice and data revenues. The adoption of a "Back-to-Basic" strategy together with the deployment of EDGE technology plus the continuous enrichment of our "Mobile TV" and "COLOR" portals have proved to be the right moves for the Company to maintain market share and to attract new mobile users to our fold.

FINANCIAL HIGHLIGHTS

Despite the intensified competition, the Company has once again delivered a stable and solid performance for the period under review.

Turnover for the period ended 30 June 2005 was \$896 million, a 7.9 per cent. increase as compared to \$831 million for the corresponding period last year.

The Company's earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$257 million showed a slight decrease of 3.1 per cent. against \$265 million in the corresponding period in 2004. However on a quarterly basis, EBITDA improved 3.4 per cent. when comparing the second quarter with the first quarter of 2005, or \$130 million and \$127 million respectively.

Profit attributable to shareholders amounted to \$115 million, a slight decrease of 3.5 per cent. from \$119 million in the corresponding period in 2004. Again on a quarterly basis, net profit was improved by 6.3 per cent. to \$59 million in the second quarter from \$56 million in the first quarter of 2005.

The capital expenditure was downsized to \$86 million, reduced by 42.6 per cent. in the first half of 2005 as compared to \$149 million in the corresponding period in 2004. The major investment on the EDGE network upgrade was completed at the end of 2004. The management has now redeployed resources to maintain a leading position in network quality during 2005.

DIVIDEND

At a meeting held on 29 August 2005, the Board of Directors declared a quarterly dividend of \$0.075 per share for the three months ended 30 June 2005.

The proposed second quarter dividend, together with the first quarter dividend of \$0.06 per share paid by the Company in July 2005, make a total half-yearly interim dividend of \$0.135 per share (2004: \$0.13 per share) for the six months ended 30 June 2005.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

With vision and determination, the Company has strived to grow the traditional voice segment as well as show further improvement in the multimedia services business.

The interim results of 2005 reflect the solid foundation of the Company in the core business as well as the realisation of growth from data services. The management has focused on the four key pillars of our "Back-to-Basic" strategy: retain existing subscriber base, expand market share where possible, optimise network quality and maintain our distinctive edge on cost leadership. By doing so, the management has responded wisely to the market demand on data services and strengthened voice service offerings to different segments.

The Company's well known flexible postpaid and prepaid service offerings continued to generate strong cash flow. EBITDA grew 3.4 per cent. to \$130 million in the second quarter from \$127 million in the first quarter. Our subscriber base has expanded to 1.21 million, a 17.3 per cent. leap in aggregate as compared to 1.04 million for the corresponding period in 2004. On a quarterly basis, the jump was a 4.4 per cent. from 1.16 million in the first quarter. The management's adherence to the strategy had not only prevented the migration of our subscriber base but also sustained net gain in subscribers. The Company further advanced the general market recognition of our brand image on value for money tariffs, superior customer care and excellent service quality.

OUTLOOK

From a macroeconomic perspective, current trends indicate that the Hong Kong economy should continue to maintain a relatively healthy growth in 2005. However amid this euphoria, the adoption of 3G has further intensified the aggressive pricing behaviour of our competitors. Therefore, the Company envisages many opportunities as well as challenges at the same time.

Going forward, the Company will continue to focus on our "Back-to-Basic" strategy. The Company will continue its commitment to improve network coverage and launching more tailor-made voice services demanded by the market. I am confident that by applying these proven strategies, we are in the best position to capture more business opportunities.

I would like to take this opportunity to provide an update on our current Personal Communication Service ("PCS") 1800 MHz license, which as previously stated, will expire on 30 September 2006. The Company had negotiated with The Office of the Telecommunications Authority ("OFTA") and on 3 May 2005, the Company has accepted OFTA's proposed renewal terms for the new PCS 1800 MHz license. The new license is for fifteen years with a new royalty calculation under the Spectrum Utilisation Fee ("SUF"), and will be known as the Mobile Carrier License ("MCL"). The new MCL will be effective starting October 2006.

CHAIRMAN'S STATEMENT

The interim results speak for themselves and clearly show that the Company has adapted itself admirably to the highly competitive marketplace and the rapid technological changes in the wireless industry. Looking ahead, I can envisage that the Company will continue to endorse the proven strategies and maintain its agility in providing first class mobile services at competitive prices.

APPRECIATION

We have continued to achieve important strategic objectives in the face of escalating competition during the first six months of 2005. I believe that the Company will continue to push the boundaries beyond what we have so far accomplished. For that, I must thank our dedicated management and employees who have worked so diligently to carry off such a feat. I would also like to thank my fellow Directors for their foresight and commitment. To our loyal customers who remain the lifeblood of our business, I would like to offer you our deepest appreciation and gratitude.

RISKS STATEMENT

The business performance of the Company is subject to market competition, regulatory changes and even at times, from acts of God. Any forward looking statements made in this interim report with respect to PEOPLES' strategies or plans are made based solely on management's assumptions and beliefs with what information currently available to it.

Jiang Wei

Chairman

Hong Kong, 29 August 2005